

Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of RMC's reported financial activity with its bank records revealed misstatements for 2007 and 2008. For 2007, RMC understated reported receipts and ending cash-on-hand by \$23,940 and \$16,750, respectively. For 2008, RMC understated reported disbursements by \$9,889 and ending cash-on-hand by \$6,625. In its response to the Interim Audit Report, RMC indicated that it agreed with the Audit staff conclusion and would file amended disclosure reports to correct the misstatements. To date, no amendments have been filed. (For more detail, see p. 4.)

In its response to the Draft Final Audit Report, RMC concurred that it had misstated its activity and noted it would work with the Audit staff to file amended disclosure reports. To date, no amendments have been filed.

The Commission approved the finding that RMC misstated receipts and disbursements for calendar years 2007 and 2008.

Legal Standard

Contents of Reports. Each report must disclose:

- the amount of cash-on-hand at the beginning and end of the reporting period;
- the total amount of receipts for the reporting period and for the calendar year;
- the total amount of disbursements for the reporting period and for the calendar year; and
- certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3), (4) and (5).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled reported financial activity with bank records for calendar years 2007 and 2008. The following charts outline the discrepancies for beginning cash balances, receipts, disbursements and ending cash balances for each year. Succeeding paragraphs address the reasons for the misstatements.

2007 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2007	\$11,070	\$9,161	\$1,909 Overstated
Receipts	\$481,887	\$505,827	\$23,940 Understated
Disbursements	\$474,689	\$479,970	\$5,281 Understated
Ending Cash Balance @ December 31, 2007	\$18,268	\$35,018	\$16,750 Understated

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The understatement of receipts resulted from the following:

• Receipts deposited to operating account not reported	\$ 22,208
• Unexplained difference	<u>1,732</u>
Understatement of Receipts	<u>\$ 23,940</u>

The \$16,750 understatement of the ending cash-on-hand resulted from the misstatements described above, as well as discrepancies in opening cash-on-hand and disbursements.

2008 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2008	\$18,268	\$35,018	\$16,750 Understated
Receipts	\$179,084	\$178,848	\$236 Overstated
Disbursements	\$188,794	\$198,683	\$9,889 Understated
Ending Cash Balance @ December 31, 2008	\$8,558	\$15,183	\$6,625 Understated

The understatement of disbursements resulted from the following:

• Disbursements not reported	\$ 15,563
• Fundraising fee paid in 2009, reported in 2008	(5,000)
• Fees reported but not supported by check or debit	(826)
• Unexplained difference	<u>152</u>
Net Understatement of Disbursements	<u>\$ 9,889</u>

The \$6,625 understatement of the ending cash-on-hand resulted from the misstatements described above, as well as discrepancies in opening cash-on-hand and receipts.

B. Interim Audit Report & Audit Division Recommendation

At the exit conference, the Audit staff discussed the misstatements with RMC representatives and provided copies of relevant schedules.

The Audit staff recommended that RMC:

- amend its reports to correct the misstatements noted above; and
- amend its most recently filed report to correct the cash-on-hand balance with an explanation that the change resulted from a prior period audit adjustment.

Further, RMC should reconcile the cash balance of its most recent report to identify any subsequent discrepancies that may affect the adjustment recommended by the Audit staff.

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C. Committee Response to Interim Audit Report

In its response to the Interim Audit Report, RMC stated that it agreed with the auditors' conclusions with regards to the misstatement of financial activity and would comply with the Audit staff's recommendation to amend its disclosure reports. To date, RMC has not filed any amendments.

D. Draft Final Audit Report

The Draft Final Audit Report noted that RMC had not amended its reports to correct the misstatements.

E. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, RMC concurred that it had misstated its activity and noted it would work with the Audit staff to file amended disclosure reports. To date, RMC has not filed any amendments.

Commission Conclusion

On October 18, 2012, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that RMC misstated its financial activity for calendar years 2007 and 2008.

The Commission approved the Audit staff's recommendation.

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